

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING  
(PROPOSAL NINE)

Docket No. RM2015-18

**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO QUESTION 1 OF CHAIRMAN'S INFORMATION REQUEST NO. 1**  
(August 27, 2015)

The United States Postal Service hereby provides its response to Question 1 of Chairman's Information Request No. 1, issued August 20, 2015. The questions are stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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## RESPONSE OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S INFORMATION REQUEST NO. 1

1. In Order No. 2472,<sup>1</sup> the Commission directed the Postal Service to file a proposed methodology for determining the costs of the new Periodicals Mail Carrier Route bundle and pallet entry options. Proposal Nine appears to identify a methodology for estimating the costs for Carrier Route pallets only, and not for Carrier Route bundles.
  - a. Please confirm that the Postal Service plans to file a proposed methodology to replace the unit cost proxies provided in Docket No. R2015-4 for Carrier Route bundles.
  - b. If confirmed, please provide a date for when the proposal will be filed.
  - c. If not confirmed, please provide a rationale for continuing to use the 5-Digit bundle costs as a proxy for Carrier Route bundle costs. In the response, please include a discussion of the similarities and differences between 5-Digit and Carrier Route bundle handling.

### RESPONSE:

- a. Not Confirmed
- b. Not Applicable
- c. The Periodicals Mail Processing Cost Model presented in Docket No. RM2015-18 and in previous Dockets (the most recent being Docket No. ACR2014) does not use 5-Digit bundle cost as a proxy for Carrier Route bundle costs, even though it might *appear* to be the case for bundles on 5-Digit and 5-Digit CR-RTS pallets. In the model each bundle level has its own defined bundle flow, see Excel file "PER\_OC\_Order 2472-7.xlsx," worksheet "Bundle Probabilities," columns BL through BO. In these columns row 14 indicates container type and level (cell BO14 should read "CR-RTS Pallet") and row 16 indicates bundle level. Down the columns are the probabilities that a bundle from the container will receive the mail processing activity listed in column C.

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<sup>1</sup> See Docket No. R2015-4, Order on Revised Price Adjustments for Standard Mail, Periodicals, and Package Services Products and Related Mail Classification Changes, May 7, 2015, at 63 (Order No. 2472).

For bundles that arrive on 5-Digit or 5-Digit CR-RTS pallets, the processing steps are identical. The pallet is opened, bundles are sorted manually one time -- to carrier, in the case of carrier route bundles, or to IS scheme, in the case of 5-Digit bundles. Then the bundles are wheeled to the carrier (carrier route bundles) or to the IS casing station (5-Digit bundles) where the bundles are opened and distributed as pieces. While the piece distribution costs will be different, the bundle costs will not be different, as no distinction can be made in the transport costs.